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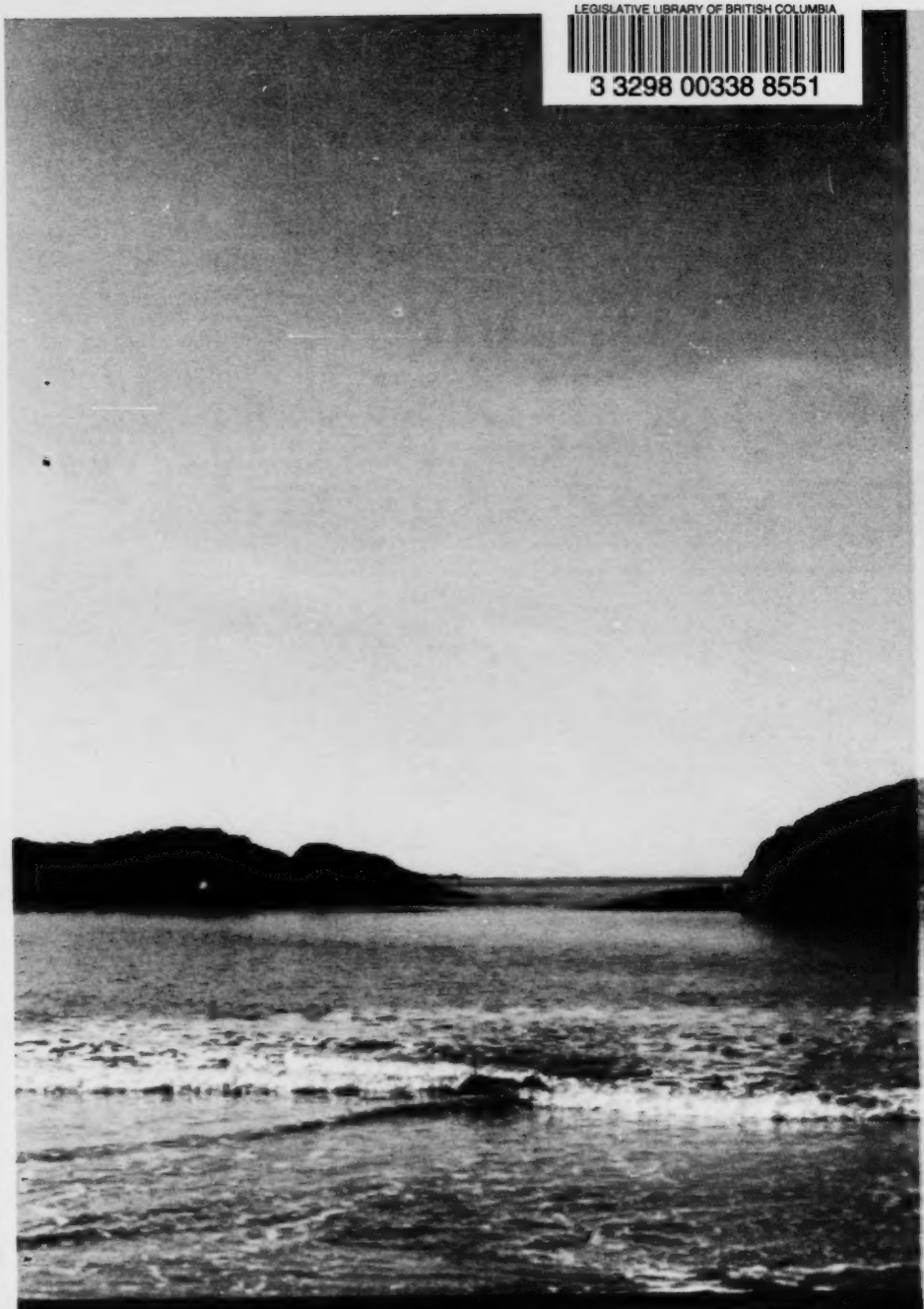

BPCPA

BUSINESS PRACTICES & CONSUMER PROTECTION AUTHORITY

Annual Report 2005

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BPCPA

BUSINESS PRACTICES &
CONSUMER PROTECTION AUTHORITY
OF BRITISH COLUMBIA

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Letter of Transmittal

June 30, 2006

Honourable John Les
Minister of Public Safety and Solicitor General
PO Box 9053 STN PROV GOVT
Victoria, BC V8W 9E2

Dear Minister Les,

On behalf of the Business Practices & Consumer Protection Authority, we are pleased to submit the Annual Report for 2005.

As you know, the *Business Practices and Consumer Protection Authority Act* and the Administrative Agreement require the Authority to prepare an annual report and provide a copy to the Minister within six months of the end of each fiscal year, which is December 31.

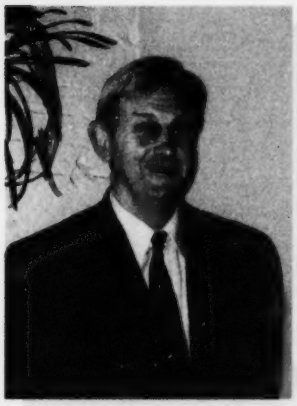
The report compares the consumer p tection and other public interest outcomes with the performance objectives expressed in the business plan. The Authority's first Business Plan covered the years 2005-2007 and was published in late February, 2005. The report on performance reflects the objectives identified in this plan.

Sincerely,

Frank Barr
Chair, Board of Directors

Terry Barnett
President and CEO

Message from the Chair



The Board of Directors of the Business Practices & Consumer Protection Authority is pleased to release the second Annual Report of the Authority. This report covers the 12 month period from January 1, 2005 until December 31, 2005.

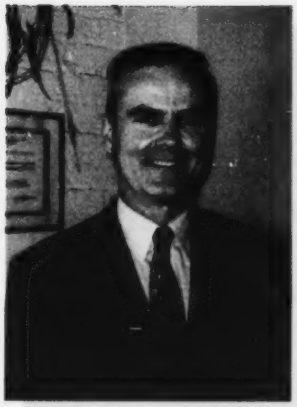
The year 2005 was the first full year of operation of the Authority, which commenced operations in July 2004. Over this year, the transition of consumer protection services from government was fully implemented, communication with advisory groups was enhanced and a new line of business, telemarketing, was added in October 2005. The Board established the Telemarketing Advisory Group in May 2005 to prepare for implementation on October 1, 2005.

In February 2005, the Authority submitted the 2005-2007 Business Plan to the Minister of Public Safety and Solicitor General, identifying strategic goals, objectives and performance measures. This Annual Report provides quantitative and qualitative information on the activities of the Authority over the year, reflecting the goals and objectives in the Business Plan. The Business Plan for the years 2006-2008, submitted to the Minister at the end of 2005, identified annual performance measures (outputs) as well as the longer term strategic performance measures (outcomes), which will ensure more meaningful performance measures reporting starting in 2006.

I am pleased to welcome two new Board members: Mr. Hal Yacowar, QC, was appointed in November 2005 by government and Ms. Della Smith joined the Board in April, 2006. The skills and experience the new members bring will enhance Board performance. I look forward to the year ahead working with these new members, our stakeholders, the government and the Authority staff in promoting a fair marketplace for BC consumers and businesses.

Frank Barr
Chair, Board of Directors

Chief Executive Officer's Report



This is the Authority's second annual report. In 2005, the Authority built on the work it began in 2004, successfully completing the transition from government. The Authority has established a strong financial basis with the initiation of new fee schedules for licensed industries, reflecting its cost-recovery mandate.

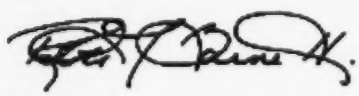
The Authority ended its fiscal year with revenues exceeding expenditures by $242,567. Total revenue for the year was $2,848,602 and total expenditures were $2,606,035. This surplus resulted from increased revenue due to cost recoveries from legal actions and settlements greater than expected, and a decrease in expenditures due mainly to salary savings.

A number of factors impact the future performance of the Authority. The increasing population of BC will result in an increased demand for services, especially with respect to consumer protection and the growing number of elderly people. Electronic commerce is increasing, with an accompanying rise in electronic advertising and solicitation activities, leaving consumers exposed to higher levels of risk. The Authority is increasing its educational outreach to advise consumers about buying online.

The Authority continues to work with government to identify gaps in consumer protection and the consolidation of several consumer protection lines of business with the Authority, thus helping to promote increased fairness in the marketplace. As additional new lines of business are added, the Authority will be able to manage its operation so that staff levels, skills, processes and systems are sufficient to provide quality service.

The Authority is redesigning its website to improve the accessibility of information for businesses and consumers. The new website will include automated functions providing better options to businesses for completing transactions online. This in turn, will ensure that applications and payments are processed in a timely manner. With the likely increase in consumer transactions due to the strong economic outlook in the province, the Authority is increasing its capacity to assist consumers and business with their inquiries and to ensure compliance with the legislation by hiring new staff.

The year 2005 allowed the Authority to establish a solid foundation, setting the scene for growth, improved industry and consumer relations, increased licensing capabilities, expanded inspection and enforcement activities to ensure compliance, and enhanced consumer protection in the coming years.



Terry Barnett
President and CEO

Vision, Mission and Operating Principles

Our Vision

A fair marketplace for British Columbia consumers and businesses.

Our Mission

The Business Practices & Consumer Protection Authority provides innovative, responsive leadership in the British Columbia marketplace, promotes fairness and understanding, and administers legislation in the public interest.

Operating Principles

To Our Stakeholders:

- We will be a fair, responsive, adaptive, entrepreneurial organization, focused on achieving results;
- We will demonstrate integrity, honesty and a high degree of professionalism in all our dealings;
- We will reflect the needs and values of the people of British Columbia and work with government to ensure our policies and operations reflect those needs and values;
- We will be open, transparent, and accountable, while respecting the privacy of our stake holders;
- We will minimize regulatory burdens and maintain BC's competitive position, while fully protecting consumers and businesses from unfair practices;
- We will promote confident, self-reliant consumers who are aware of their rights and responsibilities; and
- We will foster a culture of voluntary compliance by business.

To Our Employees:

- We will promote an environment of learning, mutual respect, ethical conduct, and team work;
- We will encourage our people to use initiative and we will support their ability to make decisions quickly and effectively;
- We will have clear leadership, open communication, and a climate that encourages discussion of issues; and
- We are committed to a workplace that is safe, healthy, free from harassment, with equal opportunity for our employees.

Corporate Profile

The Business Practices & Consumer Protection Authority of British Columbia (the Authority or the BPCPA) was created on March 31, 2004 by the *Business Practices and Consumer Protection Authority Act*. The BPCPA became operational on July 4, 2004 as a not for profit corporation, independent from government.

The BPCPA assumed consumer protection activities previously performed by the BC Ministry of Public Safety and Solicitor General. The Authority was established to strengthen consumer protection in British Columbia. As an independent authority, the BPCPA has greater flexibility to respond quickly to a changing business environment.

The mandate of the BPCPA is to:

- deliver consumer protection services throughout British Columbia;
- promote fairness and understanding in the marketplace; and
- administer in the public interest any Act that is delegated to the Authority for administration.

The legislative framework for the BPCPA consists of three main consumer protection statutes:

- *Business Practices and Consumer Protection Authority Act;*
- *Business Practices and Consumer Protection Act; and*
- *Cremation, Interment and Funeral Services Act.*

In addition, the BPCPA administers the following regulations:

- Business Practices and Consumer Protection;
- Consumer Contracts;
- Debt Collection Industry;
- Travel Industry;
- Telemarketer Licensing (effective October 1, 2005);
- Fee Setting Criteria;
- Cremation, Interment and Funeral Services Regulation; and
- Administrative Penalties.

The Authority is responsible for BC consumer protection activities including regulation of specific industry groups, investigations, enforcement, and information and complaint resolution services offered through a BC toll free number. The industries licensed by the BPCPA in 2005 were: debt collection industry; cremation, interment and funeral services; travel industry; and effective October 1, 2005, telemarketers.

The provincial government maintains responsibility for legislation, government policy and review of the Authority.

In order to establish the terms and responsibilities for the Authority to provide consumer protection services to the public, the government of British Columbia and the Authority signed a formal Administrative Agreement on June 30, 2004. The agreement is permitted under the *Business Practices and Consumer Protection Act* (s. 175 and 177) and the *Cremation, Interment and Funeral Services Act* (s. 59 (1)).

The agreement sets out the terms and conditions under which the Authority will operate and remain accountable to government, including establishing a liaison protocol with the BC Ministry of Public Safety and Solicitor General.

Organization Structure

The Authority is governed by a Board of Directors that is responsible for setting overall goals and broad general policies for the Authority. The Board has established advisory groups for each regulated industry to provide feedback.

The President and Chief Executive Officer (CEO) is responsible for the management and operation of the Authority and is accountable to the Board. The CEO is accountable for ensuring that consumer protection and industry regulation are managed to reflect today's approaches and operating environment.

The Authority is divided into four units:

1. **Corporate Relations** includes media relations, policy and legislation, communications, consumer relations, including operation of the consumer information centre, and industry relations, including support of the advisory groups. In addition, this unit supports the Board of Directors and is responsible for implementation of the Administrative Agreement with the provincial government.

2. **Operations** is responsible for licensing, inspection and financial auditing of all regulated industries.

3. **Investigations and Enforcement** leads investigative and enforcement activities related to consumer protection throughout the province. Investigations are initiated as the result of on-site compliance reviews, consumer and business complaints, and issues that come to the attention of the Authority through the police, and industry associations.

4. **Corporate Services** is responsible for developing frameworks and policies for financial and pay roll services, human resource services, contract management, information technology systems, and administrative services.

Governance

The Board of Directors of the Authority is the strategic leader and fiduciary steward in service to the organization, setting the overall goals and broad general policies for the Authority. The Chief Executive Officer (CEO) is held responsible by the Board for achieving goals and the overall management of the Authority.

The Board met regularly throughout the year. Its two standing committees, the Nominating Committee and the Audit Committee, and the Board met a total of sixteen times in 2005. The Board produced a governance manual, which was posted on the website, and drafted governance policies.

Della Smith, Frank Barr, Hal Yacowar

The Board has established Advisory Groups for regulated industries. Advisory Groups include industry and consumer representatives to identify consumer and industry related issues, to provide potential solutions for consideration by the Authority, and to provide feedback on any matters put forward to the group for consideration. The Board established three Advisory Groups in 2004: the Travel Industry Advisory Group, the Cremation, Interment and Funeral Services Advisory Group, and the Debt Collection Industry Advisory Group. In May 2005, the Board established the Telemarketing Advisory Group to provide feedback on licensing, fee models and communications.

Current Board members are:

Mr. Frank Barr, Chair of the Board

- Chartered Accountant with extensive experience in public accountability and reporting both in the private and public sector.
- Appointed in 2004 for a five year term until November 23, 2009.

Mr. Hal Yacowar, QC, Vice Chair

- Extensive experience with the provincial government in the areas of criminal justice, most recently serving as the Executive Director of the Criminal Justice Branch.
- Appointed in 2005 for a three year term until October 31, 2008.

Ms. Della Smith, Director

- Extensive experience in the communications field, spanning over 20 years, during which time she has represented clients from virtually every sector of both industry and government.
- Partner of QUAY Strategies Inc., a communications firm specializing in strategic planning, crisis and issues management and corporate communications.
- Appointed in 2006 for a three year term until March 31, 2009.

The Board extends its appreciation to two past Board members, Ms. Sharon Morrisroe and Mr. Hewitt Helmsing, in assisting the Authority to achieve a successful transition from government.

Year in Review

In 2005, the BPCPA:

- Successfully completed the transition from government to an independent Authority;
- Issued 7,147 new licences and renewals;
- Undertook 126 inspections of which 79% of licensees were in compliance;
- Responded to 18,130 consumer inquiries and complaints;
- Opened 296 investigations and obtained compliance and settlements for 101 files;
- Provided nearly $130,000 in general restitution for consumers and nearly $1 million in restitution in relation to telemarketing fraud;
- Provided over $38,000 in payments to consumers from the Travel Assurance Fund;
- Held 17 meetings with industry advisory groups to obtain feedback;
- Implemented the new Telemarketer Licensing Regulation as of October 1, 2005;
- Consulted with industry and other interested parties on proposed fee schedules for 4 regulated industries and provided at least 90 days notice of changes to the fee schedules;
- Undertook consultations on legislative proposals with industry stakeholders; and
- Researched several areas in consumer protection gaps, including funeral and cemetery salespersons, cosmetologists and the Film Classification Office;
- Met with government staff to propose legislative amendments to address gaps in consumer protection;
- Increased inquiry, inspection and enforcement capability;
- Promoted consumer awareness and education, including publishing News/Media Releases, developing relations with media and making presentations to consumers and businesses;
- Participated in consumer and industry trade shows;
- Improved the BPCPA website;
- Implemented a new inspection process for licensed businesses and businesses requiring licences;
- Participated in Project Emptor and the Vancouver Strategic Alliance to address cross-border telemarketing and commercial fraud; and
- Pursued new consumer protection lines of business, such as transfer of the Film Classification Office and licensing of cosmetologists.

Regulated Industries

Currently, the industries licensed by the BPCPA include travel, cremation, interment and funeral services, debt collection and telemarketing.

Travel Industry

Travel agents and travel wholesalers in British Columbia are licensed and regulated under the *Business Practices and Consumer Protection Act*, the Travel Industry Regulation and associated regulations. The regulations require applicants for licences to have experience and knowledge of travel services sufficient to operate a travel services business.

The BPCPA ensures that all travel agents and travel wholesalers are licensed and comply with the legislation. The BPCPA becomes actively involved when licensees cease operation, declare bankruptcy or otherwise fail to deliver contracted services to consumers.

The BPCPA works with trustees, foreign bankruptcy courts, legal firms and other parties with the objective of acquiring restitution for consumers. The BPCPA undertakes annual reviews of the financial statements of all licensees. Licensees are required to establish trust accounts to hold monies received and to provide security. Travel licensees have posted over $14,000,000 in security, ranging from $5,000 for a branch office up to $300,000 for a major wholesale operation.

Travel Industry Statistics 2005	
Licences Issued (new and renewal)	1,316
Suspensions	10
Cancellations	0
Refusals	8
Inspections	17
Businesses Closing	69

Travel Assurance Fund (TAF)

The Travel Assurance Fund (TAF) protects consumers as well as travel agents and wholesalers licensed in British Columbia. The fund is maintained through contributions from licensed travel agents and wholesalers.

Consumers (including individuals and businesses) may apply to the fund if they have suffered a loss as a result of paying a British Columbia licensed travel agent or travel service provider/wholesaler for travel services that were not provided.

When Jetsgo Airlines ceased operations as of March 11, 2005, the BPCPA proactively advised consumers about the steps to follow if they paid for a flight with Jetsgo and did not receive the travel services for which they paid.

In 2005, issues were resolved with respect to the bankruptcy of Canada 3000 in 2001. Clients of C3 Leisure Limited (C3 Holidays) received a full refund of their claims from the Judicial Trustee, PricewaterhouseCoopers, for travel services they purchased and did not receive as a result of the bankruptcy of C3 Holidays in 2001. The BPCPA began to process claims received from clients of C3 Airlines and C3 Tickets and a limited number for C3 Holidays, with compensation to be provided in 2006.

Travel Assurance Fund Statement

Report for the Period of January 1, 2005 – December 31, 2005

Opening balance (Jan. 1, 2005)	$4,228,344
Fund income (contributions + interest):	767,979
Payments from the fund:	(38,591)
Administrative costs:	(69,927)
Closing balance (Dec. 31, 2005)	$4,887,805
Claims submitted:	125
Claims approved:	30
Claims denied/not eligible:	91
Claims still active	4
Money owing to the fund:	0

NOTE: As of December 31, 2005 there were still approximately 1,044 Canada 3000 claims pending review and approval.

Cremation, Interment and Funeral Services Industry

Operators of a cemetery, mausoleum, columbarium or crematorium, funeral directors and embalmers in British Columbia require licences under the *Business Practices and Consumer Protection Act*, the *Cremation, Interment and Funeral Services Act* and associated regulations. This legislation addresses issues related to the handling and disposition of human remains, prearranged cemetery and funeral sales, and various aspects of funeral service including funeral home licensing, funeral director and embalmer licensing, funeral director and embalmer apprentice licensing, solicitation, advertising and facilities standards.

The BPCPA approves and oversees the establishment and operation of BC cemeteries, columbaria, and mausoleums (places of interment) and crematoriums under the *Cremation, Interment and Funeral Services Act*. The BPCPA issues certificates of public interest for cemetery lands and licenses persons who own or operate a place of interment or crematorium.

The BPCPA regulates funeral providers and cemetery operators involved in transacting funeral contracts, preneed cemetery and funeral service contracts and interment rights contracts. The regulations require that moneys received from consumers for future services are deposited with savings institutions pursuant to specific trust agreements. The BPCPA also licenses funeral providers, funeral directors, embalmers and apprentices to funeral directors and embalmers.

	Places of Interment	Crematoria	Funeral Provider	Funeral Director/Embalmer
Licences Issued	21	42	137	449
Licences Refused	0	0	0	3
Licences Suspended	0	0	0	0
Licences Cancelled	0	0	0	0
Inspections	12	22	75	N/A
Reconsiderations	0	0	0	2
Businesses Closing	3	0	8	N/A

In 2005, there was an increase in the number of inspections within this industry. As there are significant regulatory requirements for facilities, inspections are critical for ensuring compliance with the regulations.

Debt Collection Industry

Debt collectors, bailiffs and debt poolers are licensed under the *Business Practices and Consumer Protection Act* and the Debt Collection Industry Regulation. Two types of licences are issued: a collection agent licence for the corporate entity and a collector licence for each individual performing collection activity for the corporate entity. The BPCPA is responsible for ensuring all licensees and their licensed employees comply with the provisions of the Act including prohibited debt collection practices. The BPCPA also monitors licensees to ensure compliance with the financial, security and other reporting requirements in the regulations. Licensees have posted over $15,000,000 in security.

Bailiffs are required to meet the same licensing requirements as collection agents. Bailiffs licensed under the *Business Practices and Consumer Protection Act* do not act under court order or sheriff supervision. The right to act arises under statute, contract or common law. The BPCPA ensures compliance with the Act and regulations through routine financial reporting, records review and other inspection activities.

Debt poolers are required to meet the same licensing requirements as collection agents. Debt poolers usually offer debt counselling services to debtors, negotiation with creditors regarding repayment provisions and accept regular payments from debtors for pro rata distribution to the debtors' creditors. The BPCPA ensures compliance with the Act and regulations through routine financial reporting, records review and other inspection activities.

	Collection Agent	Collection Agent Employee
Licences Issued (new and renewal)	237	4,888
Licences Refused	0	5
Licences Suspended	3	0
Licences Cancelled	0	0
Inspections	0	N/A
Reconsiderations	0	2
Businesses Closing	10	N/A

The BPCPA did not focus on inspections in the debt collection industry as issues arising from this industry are behavioural in nature rather than arising from requirements with respect to facilities.

Telemarketing Industry

Effective October 1, 2005, the new Telemarketer Licensing Regulation required the licensing of all telemarketing businesses that initiate contact with consumers in British Columbia for the purpose of entering into a distance sales contract over the phone or by fax, as well as third party fund raisers who solicit donations from BC consumers. This includes telemarketers who are located in British Columbia or contact consumers in British Columbia.

Approximately 30% of the licensees are from British Columbia, 60% from the rest of Canada and 10% from outside of Canada.

Telemarketer Summary Statistics 2005	
Licences Issued	57
Licences Refused	0
Licenses Suspended	0
Licences Cancelled	0
Inspections	0
Reconsiderations	0
Businesses Closing	0

The BPCPA will continue with its awareness campaign to ensure businesses are aware of their obligations and consumers are aware of their rights under this new regulatory framework. It is expected that it may take a number of years to ensure a high rate of compliance with this regulation.

Consumer Information Centre

The Business Practices & Consumer Protection Authority provides information, assistance and options to consumers and businesses on their rights and responsibilities under the legislation administered by the Authority. Inquiry Officers act as the first level of contact and provide resolution of complaints where inspection, investigation or legal interpretation of legislation and regulations are not required.

In 2005, the top five call types received were:

1. Debt Collection
   Calls included inquiries on licensing and questions and complaints about collection practices.
2. Travel
   Calls included customer service concerns, contractual disputes and licensing requirements and inquiries. Many calls were about the failure of Jetsgo airlines.
3. Contractual Disputes
   Contractual disputes ranged from magazine subscriptions to cell phones.
4. Retail Sales
   The advice provided ranged from information on return and exchange policies to purchase rights with respect to defective products.
5. General Advice
   General advice ranged from referrals to appropriate agencies to providing information on the small claims court processes.

In 2005, the Consumer Information Centre:

- Responded to consumer inquiries and complaints as follows:
  - 15,595 calls
  - 2,535 pieces of written correspondence including email;
- Hired and trained four new staff;
- Opened and closed 47 Investigative Services Information System (ISIS files) on the inquiry level, implementing a new procedure to support the investigators for progressive enforcement by resolving alleged offences through compliance or mediation rather than investigations;
- Initiated and managed a number of files based on collection complaints that lead to investigations and resulted in licensing action;
- Created the Inquiry Team Operations Manual;
- Revised mail and phone logs to provide data based on business plan requirements; and
- Tracked statistics in the ISIS system to provide data to Advisory Groups/Executive/Board.

Consumer Information Center Statistics

Description	2004[1]	2005
Accommodations	0	1
Advertising/Pricing/Packaging	0	33
Airlines	0	2
Alarm Company	0	9
Auctions	13	23
Automotive	70	90
Automotive Repairs	229	237
Automotive Sales	749	849
Bailiff	71	210
Banking	0	10
Bankruptcy	0	2
BPCPA Legislation	0	12
Business to Business	1	40
Career Training Institutions	0	2
Cell Phone	0	35
Cemetery/Burial/Cremation	83	114
Charitable Fund Raising	4	14
Condominium	0	3
Consignment Sales (not auto)	6	17
Contractors – General	48	112
Contractor – Prepaid	4	3
Contractual Dispute	944	1,332
Cosmetologists	0	8
Credit Reports / Agencies	137	217
Credit / Financing	171	201
Debt Collection –1st Party Creditor	140	388
Debt Collection – Licensee	68	144
Debt Collection Complaint	2,448	2,404
Debt Pooler	4	31
Direct Sales	57	48
Direct Sellers	159	107
E-Commerce	1	34
Employment	5	9
Fitness Club	125	382
Funeral Services	47	581
General Advice	1,988	876
Gift Certificate	0	6
Guaranteed / Warranty	187	126
Housing	20	27
ID Theft	0	3

[1] January 2004 to June 30, 2004 refers to data collected by the Consumer Services Division with the Ministry of Public Safety and Solicitor General.

Description	2004	2005
Insurance	0	10
Internet Service Providers	19	52
Licence Phone Calls	59	13
Loan Brokering	5	11
Long Distance Service Providers	0	12
Moving	0	28
Multi-Level Marketing	2	7
Other[2]	1,152	1,426
Parking Ticket	0	2
Pawn Shop	0	3
Payday Loan	0	5
Physical Culture / Self Defence Contract	0	1
Privacy Issue	0	7
Private Transactions	0	8
Professional Service	0	15
Pyramids	2	4
Real Estate	2	11
Referral to Other Agency / Court	716	585
Registries Calls / Referrals	1	0
Repairs	8	19
Residential Tenancies	22	35
Retail Sales	459	879
Return / Refund	0	17
Returned – No Answer	3,727	1,714
Roofing	0	5
Telecommunications	0	64
Telemarketing	23	129
Timeshare	40	50
Tow Truck Drivers	0	3
Transportation / Courier / Delivery	0	6
Travel	672	1,417
Travel Assurance Fund	0	25
Unfair Trade Practices	31	139
Unknown[3]	0	84
Unsolicited Goods / Services	5	11
Utilities / Fuel	0	21
Wage Assignments	0	0
Walk-In	35	2
Weight Loss Membership	0	3
Total Calls Via 800 Line	**14,759**	**15,595**
Mail / Email Volume	**1,056**	**2,535**
Grand Total	**15,815**	**18,130**

[2]Other call type refers to calls that are not directly related to a particular business type and includes but not limited to: left message, consumer wanting a number for a referral agency, caller has resolved issue.

[3]Unknown call type refers to inquiries where the BPCPA attempted to respond but was not able to make contact with the caller and thus identify what type of business the inquiry related to.

Policy and Legislation

Legislation

The BPCPA identified gaps in consumer protection legislation and recommended legislative amendments to the provincial government to address these gaps, including the following:

- Proposed that funeral and cemetery salespersons should be licensed.
- Proposed changes to continuing services contract requirements, reflecting input from a consultation with fitness, weight loss and martial art businesses.
- Commenced discussions with the Travel Industry Advisory group to explore proposed changes to the Travel Regulations to address the issue that the regulations are silent on the sale or offer of travel services by anyone other than the licensee.
- Provided a number of miscellaneous recommendations to government for changes to the *Business Practices and Consumer Protection Act* and the *Cremation, Interment and Funeral Services Act* and the regulations.

Policies Approved

The BPCPA approved the following policies in 2005 and posted them on the BPCPA website:

- Consumer Advancement Fund Policy and Procedures;
- Reconsideration Policy and Procedures;
- Complaint Handling Policy and Procedures; and
- Publishing Information on Regulatory Actions.

New Lines of Business

The BPCPA undertook analysis with respect to the following industries under consideration for regulation by the BPCPA:

- Film Classification Office,
- Cosmetologists,
- Manufactured Homes Dealers,
- Home Inspectors, and
- others.

A joint government and BPCPA Steering Committee was established to work on the proposed transfer of the *Motion Picture Act* and Film Classification Office to the BPCPA in 2006.

Communications

The BPCPA undertook many communication activities in 2005. The purpose of the communications was to inform consumers and businesses about their rights and responsibilities under consumer protection law. Communications activities fell into four categories:

Media Relations

- Issued 25 News and Media Releases, including 7 media releases to 668 media outlets and 2 joint press releases with the Better Business Bureaus and Competition Bureau Canada;
- Received 78 media inquiries including requests for more information about the Authority, industry-specific requests, including the new regulation of telemarketers and requests about consumer concerns, such as the closure of Jetsgo Airlines, moving companies and specific retail businesses;
- The BPCPA appeared on Olsen on Your Side, CH TV on various issues, A Channel, CFAX, CKNW and was interviewed by many newspapers; and
- Continued relationships with agencies, such as the government of British Columbia, the Better Business Bureau of the Lower Mainland, the Better Business Bureau of Vancouver Island, and the Competition Bureau Canada for joint public awareness initiatives.

Media Relations Statistics

	News & Media	Media
Travel Industry	4	25
Cremation, Interment and Funeral Services Industry	4	10
Debt Collection Industry	1	2
Telemarketing Industry	7	8
Education and Awareness	5	23
General	5	10
TOTAL	**25**	**78**

Note: News releases include releases posted only on the Authority's website. Media releases include releases posted on the Authority's website and distributed to selected media.

Presentations and Attendance at Consumer and Trade Shows

- Received 12 invitations to make presentations and made 10, including the following:
  - "Know Your Rights" at the Better Business Bureau of Mainland BC Scam Jam consumer show on March 16, 2005;
  - "Buying Online" at the Better Business Bureau of Vancouver Island Ethics Expo consumer show on September 15, 2005;
  - "Consumer Protection for Seniors: Know Your Rights" the Seniors Expo, Chilliwack, on October 19, 2005; and
  - "Recommendations on Seniors Consumer Protection" to the Premier's Council on Aging and Seniors Issues on November 17, 2005.
- Participated as a silver sponsor in the Better Business Bureau of Mainland BC Scam Jam consumer show on March 16, 2005;
- Participated as a sponsor in the Better Business Bureau of Vancouver Island Ethics Expo consumer show on September 15, 2005;
- Hosted a booth at the BC Crime Prevention Association Trade Show on September 21, 2005; and
- Hosted a booth at the BC Contact Centre Association Trade Show, Vancouver on October 19, 2005.

Website

- Continued to post information about the Authority on the website;
- Posted information about the status of Canada 3000 claims in February 2005;
- Posted information as a "Hot Topic" on Jetsgo Airlines when it ceased operations as of March 11, 2005;
- Posted the Board Governance Manual on the website; and
- Posted approved policy, including the Complaints Handling Policy and Procedures on the website.

Training

- Provided education and training to the Better Business Bureau of Vancouver Island staff on the *Business Practices and Consumer Protection Act* and the Authority.

Advisory Groups

The Board of Directors established advisory groups for each of the licensed industry groups, with members representing both consumers and industry.

The purpose of the advisory groups is:

- to identify consumer and industry related issues and potential solutions for consideration by the Authority;
- to provide feedback on matters put forward by the BPCPA for consideration; and
- to consider other related matters.

The industries represented are:

- crematoria, interment and funeral services (including operators of places of interment and crematoria, funeral providers, funeral directors, embalmers);
- collection agents, bailiffs and debt poolers (including debt collectors, debt collection agencies);
- travel agents and travel wholesalers; and
- telemarketers.

Advisory Group Meeting Statistics 2005	
Debt Collection Industry Advisory Group • June 1, 2005 (conference call) • August 29, 2005 (harmonization working group) • September 7, 2005 • December 7, 2005	4
Travel Industry Advisory Group • May 3, 2005 • May 31, 2005 (ACTA/Industry working group) • August 31, 2005 • December 8, 2005	4
Cremation, Interment and Funeral Services Advisory Group • January 19, 2005 • February 9, 2005 • February 14, 2005 (conference call) • February 28, 2005 (conference call) • May 18, 2005 • September 1, 2005	6
Telemarketer Advisory Group • May 19, 2005 • August 29, 2005 • November 24, 2005	3

The complete terms of reference for the advisory groups and copies of the minutes of the meetings are available on the Authority's website at www.bpcpa.ca.

In 2005, a total of 54 items were added to the Action Required Logs. The outcome of these action items is summarized below:

Advisory Group Meeting Statistics 2005				
	Completed	In Progress or Ongoing	Outstanding	Total
Debt Collection Industry Advisory Group	7	5	2	14
Travel Industry Advisory Group	11	3	4	18
Cremation, Interment and Funeral Services Advisory Group	29	6	0	35
Telemarketer Advisory Group	7	0	1	8
TOTAL	**54**	**14**	**7**	**75**

Highlights of the action items that were completed in 2005 resulting from consultation with the industry groups are as follows:

Debt Collection Industry Advisory Group

- Provided clarification on the licensee counts specifically with regard to the number of licensed bailiffs.
- Prepared a proposal on an industry compensation fund / bonding.
- Provided review on status of harmonization project in other jurisdictions.
- Initiated proposal to reduce security requirements for the debt collection industry.
- Consulted on new reconsideration fee.
- Consulted on new administrative fees for the debt collection industry.

Travel Industry Advisory Group

- Implemented a new fee schedule, effective April 1, 2005, based on industry consultation.
- Worked with the Travel Industry Advisory Group and the Association of Canadian Travel Agencies (ACTA) to scope out issues with respect to the sale or offer of travel services by anyone other than the licensee and to provide for expansion opportunities for licensees in a changed environment. The work was to develop a proposal to amend the Travel Industry Regulation to address the concerns of the travel industry and the BPCPA with respect to the Commission Agent Guidelines and the Telecommuting Guidelines.
- Consulted on new reconsideration fee.

Cremation, Interment and Funeral Services Advisory Group

- Implemented a new fee schedule, effective September 15, 2005, based on industry recommendations and consultation. The fee schedule included an administration fee payable for each death registered in BC under the *Vital Statistics Act* by a funeral director employed by or under contract to the funeral provider.
- Included exemptions from the BPCPA administrative fee for death registrations where the services are paid for by the Office of the Public Guardian and Trustee, the Ministry of Employment and Income Assistance, the federal department of Veterans Affairs and the Last Post Fund, and for death registrations in respect of an infant either stillborn or deceased at less than 7 days of age.
- Prepared an information brochure on the Authority and its mandate that was made available for licensees to provide to their clients and included funeral contract disclosure wording concerning the administration fee.
- Explored funeral provider fee schedule options in order to avoid "front loading" of the required payment amounts.
- Referred the issue of member liability to Corporate Services for review.
- Reviewed and provided information on flexible payment options.
- Developed a proposal to license cemetery and funeral salespersons and provided the proposal to the BC government.
- Provided a copy of inspection check list form to the members.
- Provided updated funeral provider inspection forms to the members when available.
- Consulted on new reconsideration fee.

Telemarketing Advisory Group

- Established the new Telemarketing Advisory Group and held the first meeting on May 19, 2005.
- Implemented a new fee schedule, effective October 1, 2005. Based on the consultation under taken, the BPCPA included in the fee schedule an application fee for new telemarketer licences which includes a combined total of a base amount plus a fee for each full time equivalent (FTE) employee working for the telemarketer.
- Implemented changes to the application form based on feedback received from the advisory group.
- Communicated licensing requirements and the licensing fee schedule.
- Provided "examples" on the website to assist in identifying who needs to be licensed and included updated Frequently Asked Questions.

Investigations

The Business Practices & Consumer Protection Authority investigates businesses that are allegedly not in compliance with the legislation. The BPCPA employs a total of five investigators who prepare enforcement reports and initiate enforcement action where appropriate. In addition, the investigators provide advice and education to the regulated industries, as well as other agencies such as the Better Business Bureaus, the banks, the Vancouver Police Department and other policing agencies.

Investigations Statistics	
Investigations Opened	296
Compliance and Settlements Obtained	101
Warning Letters	41
Compliance Orders	13
Direct Sales Prohibition Orders	3
Inspection Orders	13
Freeze Orders	15
Information Provided / Referred	10
Complaint Unfounded	27
Insufficient Evidence	6
No Resolution	11
Complaint Withdrawn / Not Followed Up	17
Cannot Locate Respondent / Out of Business	6

Investigations

- The BPCPA follows a progressive enforcement model, starting with warning letters and then progressing to more severe sanctions.
- In most cases, compliance and settlements resulted from investigative activity.
- Enforcement actions resulting in a number of cases, included:
  - issuance of a Compliance Order and a Direct Sales Prohibition Order against David Bertolo, Healthy Air Distribution Inc. and MG1 AirTech. The company had been selling vacuum cleaners directly to consumers using misleading tactics, undue pressure and contracts which did not include required information;
  - issuance of Freeze Orders as a result of misleading mail solicitation.
- Several investigations were undertaken into the conduct of licensed and unlicensed travel agents, funeral service providers and debt collection agencies.

Restitution to Consumers

- Provided nearly $1 million to the Federal Trade Commission for restitution to U.S. consumers who were victimized by 5 fraudulent telemarketers operating out of BC; and
- Provided $130,000 in restitution from companies to nearly 50 consumers who had been the subject of unfair business practices.

Telemarketing Fraud

- Continued to participate in Project Emptor, a task force which investigates fraudulent BC-based telemarketers. It includes the BPCPA, the RCMP's Vancouver Commercial Crime Section, the Competition Bureau Canada, the Federal Bureau of Investigation (Los Angeles), the U.S. Attorney's Office for the Central District of California, the U.S. Postal Inspection Service and the US Federal Trade Commission. The BPCPA has assigned a full-time investigator to Project Emptor and has applied various provisions of the *Business Practices and Consumer Protection Act*, including civil prosecutions, asset seizures and freeze orders.
- In January, 2005, as a result of the BPCPA's participation in Project Emptor, individual investigators, as well as the BPCPA as an entity, received Certificates of Appreciation from the Director of the US Federal Bureau of Investigation for exceptional service in the public interest.
- The government of BC joined the FBI to thank the BPCPA for helping consumers recover almost $2 million lost to telemarketing scams.

Partnerships Formed

- On June 14, 2005 the BPCPA signed a Memorandum of Understanding for the Establishment of a Joint Venture on the Enforcement of Deceptive Marketing Practices Laws between the Vancouver Police Department, the Competition Bureau Canada, the US Federal Trade Commission's Bureau of Consumer Protection, the US Postal Inspection Service and the BPCPA. The purpose of the joint venture is "to coordinate law enforcement activities among the participants, to identify fraudulent, deceptive and misleading marketing practices with a British Columbia nexus, to facilitate information sharing among the participants and to support each others' law enforcement actions against persons and entities that engage in various types of deceptive marketing practices as consistent with their laws, priorities and resources".
- The BPCPA participates with several agencies across Canada in the development of Canada's National Mass Marketing Fraud Strategy, a national collaborative framework to combat mass marketing fraud. The four pillars of this strategy are more vigorous law enforcement, raising awareness, tougher sanctions and targeted legislation, and national harmonized data collection.

Corporate Services

The Corporate Services division supports the Authority with a wide range of services. This support is provided by both internal resources and through external contracts.

Financial

Included in this Annual Report are the audited financial statements of the Authority for the fiscal year ended December 31, 2005. These statements reflect the financial activity for the first full year of annualized revenues and expenditures for the Authority and have been prepared in accordance with generally accepted accounting principles.

Operations for the year resulted in a net income of $248,987. Significant savings from the Business Plan's projected deficit of $1,000,000 were realized through a combination of decreased salary expenditure and better than anticipated cost recoveries. Staffing decisions were delayed in order to remain within budget while the Authority developed its service delivery models.

2005 was the first year for the implementation of new fee models developed by the Authority through consultations with each industry. It is anticipated the fee levels will remain constant for 3 years as the Authority creates efficiencies through the addition of new industries to the regulatory environment.

The Authority is required, under Section 26 of the Business Practices and *Consumer Protection Authority Act*, to prepare and make publicly available these audited financial statements within 6 months of the end of the fiscal year.

Human Resources

The Authority had limited employee turnover in the first year and positioned itself to add staff near the end of the year in anticipation of new lines of business. A number of job descriptions were reviewed to ensure an accurate reflection of job duties as the Authority settled on service delivery methods.

The formal transfer agreement between the BCGEU and the Authority was signed off as both parties developed a strong working relationship towards reaching a new negotiated collective agreement in 2006.

Information Technology

In 2005 the Authority consolidated its information technology. The Authority's operational and financial information systems continue to serve the business needs of the organization. The Investigative Services Information System (ISIS) went through a number of minor modifications including enhancement to accommodate telemarketing licensing.

Report on Performance

In 2005, the Authority prepared its first three year business plan which set performance targets for 2005-2007. The Authority provided the plan to government and made it available to the public on its website and at conferences. The plan included strategic goals and objectives; key measures were identified to evaluate the effectiveness of the Authority in meeting its strategic goals over the long term and to assess the impact of the Authority on consumer protection (outcome measures). As outcome measures are complex, outcomes will be measured every three to five years.

Since the Business Plan for 2005-2007 was published, the Authority has identified operational goals and strategies for 2006-2008. For each strategy, measures were identified to evaluate the activity annually (output measures). The operational goals, strategies and measures reflect the operating environment in the short term. These performance measures will be reported in the Annual Report 2006. However, it is possible to identify baseline measures for 2005 with respect to several of the strategic goals identified in the Business Plan for 2005-2007, as follows:

Goal 1: A regulatory and enforcement environment for businesses that is fair and reasonable, while protecting consumers			
Core Businesses	**Objectives**	**Key Measures**	**2005**
Policy, Legislation and Regulation Consolidating Regulatory Protection	1.1 Consumer and business groups are satisfied with the regulatory environment	BC is competitive and harmonized, where possible, with other regulatory jurisdictions	Major differences & disadvantages identified: Cross jurisdictional comparison undertaken regarding debt collection, funeral salespersons, telemarketing, pay day loan companies
Ensuring Compliance and Complaint Response	1.2 Consumers feel well represented by the complaints process.	Authority integrates advice put forward by advisory groups.	Baseline: 54 out of 75 (72%) action items were completed, based on advisory group advice.
	1.3 Businesses operating in compliance with regulations.	Percentage of consumers reporting that they feel well represented by the complaints process.	Survey to be done in 2006.
		Volume of complaints relating to unlicensed activity	Baseline: 78
		Percentage of inspected businesses (not subject of complaint) who are assessed as being in compliance with regulations in all significant respects.	Baseline: 79% of inspected businesses are in compliance (99 of 126 inspections)

Goal 2: BPCPA is held in high regard and is the primary consumer protection organization in BC			
Core Businesses	**Objectives**	**Key Measures**	**2005**
Communication & Stakeholder Relations	2.1 Consumer and business groups accept the role of the Authority, and are satisfied with its overall performance.	Authority integrates advice put forward by advisory groups.	Baseline: 54 out of 75 (72%) action items were completed, based on advisory group advice.
Consolidating Regulatory protection	2.2 Protection services are provided in all key market segments, closing significant gaps in protection.	Complaint volumes in non-regulated areas tracked to identify specific gaps in consumer protection.	Baseline: 86%; new tracking system established
	2.3 The Authority has developed the capacity and resources to provide effective services.	Consumer and business group rating of ease of access to service	Survey to be done in 2006
		Response times by key service area	To be determined: new tracking system established
		Percentage of complaints (satisfactorily) resolved.	Baseline will be established in the 2006
	2.4 A cooperative working relationship with key stakeholder groups.	Business group satisfaction with output and effectiveness of the advisory groups	Survey to be done in 2006
Education and Awareness	2.5 Consumers and businesses aware of consumer protection legislation and regulations and their rights and responsibilities.	Attendee satisfaction with public information sessions delivered by BPCPA	Survey to be done in 2006
		Number of invitations to public presentations &	12

Goal 3: The Authority provides efficient and affordable service			
Core Businesses	Objectives	Key Measures	2005
Support Services	3.1 The Authority achieves break-even operating financial results and maintains key reserves.	Net operating surplus/ deficit	Net operating surplus of $242,567.
	3.2 The Authority's fees are fairly distributed, stable, and reflect total cost recovery.	Fee increases year to year.	Fee schedules established.
		Authority integrates options put forward by advisory groups.	27 fee-related issues put forward by advisory groups were integrated.
	3.3 Administrative costs are kept to a minimum consistent with capacity requirements.	Administration costs as a percentage of program costs.	16%

BUSINESS PRACTICES & CONSUMER PROTECTION AUTHORITY

FINANCIAL STATEMENTS

DECEMBER 31, 2005

(Audited)

HAYES STEWART LITTLE & CO.

CHARTERED ACCOUNTANTS

ALLIANCE FIRM

ERNST & YOUNG

AUDIT REPORT

To The Directors

We have audited the statement of financial position of the Business Practices & Consumer Protection Authority as at December 31, 2005 and the statements of income and equity and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2005 and the results of its operations and the changes in its cash resources for the year then ended in accordance with Canadian generally accepted accounting principles.

Hayes Stewart Little & Co.

Victoria, BC
February 6, 2006

Chartered Accountants

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BUSINESS PRACTICES & CONSUMER PROTECTION AUTHORITY

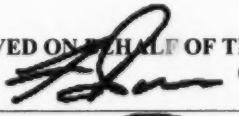
STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2005

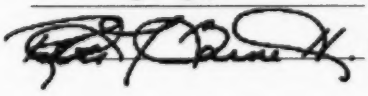
(Audited)

	2005	2004
ASSETS		
CURRENT		
Cash	$ 2,926,373	$ 2,808,883
Cash held for deposits (Note 3)	-	281,733
Interest receivable	12,292	10,200
Accounts receivable	307,650	51,997
G.S.T. receivable	11,412	12,067
Prepaid expenses	37,965	40,264
	3,295,692	3,205,144
PROPERTY, PLANT AND EQUIPMENT (Note 2 & 5)	78,083	88,839
	$ 3,373,775	$ 3,293,983
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 523,399	$ 374,142
Deposits (Note 3)	-	281,733
Employee liabilities	219,598	198,248
Deferred revenue (Note 7)	597,067	631,203
Current portion of deferred contributions (Note 8)	16,468	23,271
	1,356,532	1,508,597
DEFERRED CONTRIBUTIONS (Note 8)	47,869	63,579
SECURITY DEPOSIT	5,000	-
EQUITY		
EQUITY (Note 9)	1,964,374	1,721,807
	$ 3,373,775	$ 3,293,983

APPROVED ON BEHALF OF THE AUTHORITY:



Chair



President & CEO

BUSINESS PRACTICES & CONSUMER PROTECTION AUTHORITY

STATEMENT OF INCOME AND EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2005

(Audited)

	2005	2004
REVENUE		
Government startup contributions	$ 522,513	$ 1,076,633
Licenses, penalties & fines	1,801,302	991,957
Interest income	99,518	49,058
Recoveries (Note 10)	425,269	800,844
	2,848,602	2,918,492
EXPENSES		
Accounting and legal	110,601	49,940
Amortization	25,264	13,582
Contract services	201,991	64,393
Equipment leases	78,384	36,600
Governance (Note 11)	88,532	33,879
Information systems	17,451	40,823
Insurance	77,322	39,829
Non-recoverable GST	-	11,412
Office	116,868	49,100
Rent - premises	212,189	99,698
Travel	45,189	17,663
Wages and benefits	1,632,244	739,766
	2,606,035	1,196,685
NET INCOME FOR THE PERIOD	242,567	1,721,807
EQUITY, beginning of period	1,721,807	-
EQUITY, end of period	$ 1,964,374	$ 1,721,807

BUSINESS PRACTICES & CONSUMER PROTECTION AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2005

(Audited)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from licensees	$ 1,576,113	$ 1,623,160
Cash received from government sources	500,000	1,063,231
Cash received from cost recoveries of legal actions & settlements	600,269	1,116,844
Cash received as interest	97,426	38,858
Cash paid for goods & services	(1,031,172)	(489,522)
Cash paid to employees	(1,610,637)	(541,518)
NET CASH GENERATED THROUGH OPERATING ACTIVITIES	131,999	2,811,053
INVESTING		
Acquisition of property, plant and equipment	(14,509)	(2,170)
NET CASH USED FOR INVESTING ACTIVITIES	(14,509)	(2,170)
NET INCREASE IN CASH AND CASH EQUIVALENTS	117,490	2,808,883
CASH AND CASH EQUIVALENTS, beginning of year	2,808,883	-
CASH AND CASH EQUIVALENTS, end of year	$ 2,926,373	$ 2,808,883
REPRESENTED BY		
Cash	$ 2,926,373	$ 2,808,883

BUSINESS PRACTICES & CONSUMER PROTECTION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

(Audited)

1. PURPOSE OF ORGANIZATION

The Business Practices and Consumer Protection Authority (the Authority) was established on March 31, 2004 under the Business Practices and Consumer Protection Act of British Columbia as a not for profit corporation without share capital. The purpose of the Authority is to deliver consumer protection services throughout British Columbia, to promote fairness and understanding in the marketplace and to administer in the public interest any Act, the administration of which is delegated to the Authority. The Authority is classified as a public body for income tax purposes and therefore is not subject to income taxes.

2. ACCOUNTING POLICIES

(a) PROPERTY, PLANT AND EQUIPMENT AND AMORTIZATION

Property, plant and equipment are recorded at cost. Expenditures for additions and expenditures which substantially increase the useful life of existing assets are capitalized.

Amortization is calculated on the estimated economic life of the asset on the declining balance method at the following annual rates:

Furniture & equipment -	20%
Computer hardware & software -	30%
Telecommunication equipment -	30%
Automotive equipment -	30%
Leasehold improvements -	20%

(b) REVENUE RECOGNITION

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted non-capital contributions are deferred and recognized as revenue in the period in which the related expenses are incurred. Capital assets contributed and externally restricted contributions for the purchase of capital assets are deferred and amortized over the life of the related capital asset. Unamortized deferred capital contributions relating to capital asset dispositions are recognized as revenue in the period of disposal, provided that all restrictions have been complied with.

Government grants are accounted for as unrestricted contributions or externally restricted contributions in accordance with the terms of funding.

2. **ACCOUNTING POLICIES** (continued)

(b) **REVENUE RECOGNITION** (continued)

Unrestricted investment income is recognized as revenue when earned.

License fees are recognized on a straight line basis as revenue throughout the period the license is valid.

(c) **EMPLOYEE BENEFIT PLAN**

The Authority and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pensions Act. The British Columbia Pension Corporation administers the Plan, including the payment of pension benefits on behalf of employers and employees to whom the Act applies. The Plan is a multi employer defined benefit plan. The most recent actuarial valuation (March 31, 2002) has determined the Plan is in a surplus position. Effective January 1, 2001, the Public Service Pension Plan's management changed to a joint trusteeship whereby the management, risks and benefits are shared between the employees and employers. Previously these matters were the sole responsibility of the Province of British Columbia.

The Authority also annually contributes through the Provincial Government payroll system for specific termination benefits as provided for under collective agreements and conditions of employment. The costs of these employee future benefits are recognized as an expense in the year that contributions are paid.

(d) **USE OF ESTIMATES**

The preparation of the Authority's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

3. **DEPOSITS**

Deposits are made up of funds provided as security as required by legislation in order to make restitution to consumers who may suffer a loss. During the year $5,374 (2004 - $30,000) was paid into the fund with $81,265 (2004 - $104,482) being paid out of it and $205,842 being transferred as contributions to the travel assurance trust funds. (Note 12) The balance as of December 31, 2005 was $NIL (2004 - $281,733).

4. FINANCIAL INSTRUMENTS

The Authority's financial instruments consist of cash, interest receivable, G.S.T. receivable, accounts receivable, accounts payable and accrued liabilities, deposits and employee liabilities. The fair value of these assets and liabilities approximates their carrying value. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

5. PROPERTY, PLANT & EQUIPMENT

	Cost	Accumulated Amortization	2005	2004
Furniture	$ 3,297	$ 662	$ 2,635	$ 751
Computer hardware and software	41,144	16,468	24,676	34,810
Telecommunications and other equipment	5,707	666	5,041	516
Automotive Equipment	21,039	8,675	12,364	17,662
Leasehold Improvements	45,741	12,374	33,367	35,100
Total	$ 116,928	$ 38,845	$ 78,083	$ 88,839

6. LEASE OBLIGATION AND COMMITMENTS

The Authority has entered into lease agreements for its premises and various equipment as well as a service contract for telecommunications and internet service. Future minimum payments are as follows:

	Premises	Equipment and Service
2006	$ 199,392	$ 124,730
2007	199,392	105,134
2008	187,131	46,344
2009	150,348	23,172
2010	150,348	-
Total future minimum lease payments	$ 886,611	$ 299,380

7. DEFERRED REVENUE

Deferred revenue consists of funds received for licenses issued that are in effect for all or part of 2005. The balance consist of the following unrecognized license fees by industry:

	2005	2004
Debt Collection	$ 203,846	$ 452,220
Cemetery/Crematorium	4,822	-
Funeral Services	47,882	52,725
Telemarketing	62,254	-
Travel	278,262	126,258
	$ 597,066	$ 631,203

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent unamortized external funding used to purchase capital assets which will be recognized as revenue in future periods.

	2005	2004
Balance, beginning of year	$ 86,850	$ -
Contributions of and for the purchase of capital assets	-	100,252
Amortized to revenue	(22,513)	(13,402)
Balance, end of year	64,337	86,850
Less current portion	(16,468)	(23,271)
	$ 47,869	$ 63,579

9. EQUITY

	Invested in Capital Assets	Unrestricted	2005	2004
BALANCE, beginning of year	$ 88,839	$ 1,632,968	$ 1,721,807	$ -
Excess of revenues over expenses	-	242,567	242,567	1,721,807
Investments in capital assets	14,509	(14,509)	-	-
Amortization	(25,264)	25,264	-	-
BALANCE, end of year	$ 78,084	$ 1,886,290	$ 1,964,374	$ 1,721,807

BUSINESS PRACTICES & CONSUMER PROTECTION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

(Audited)

10. RECOVERIES

Recoveries consist of cost recoveries from legal actions and settlements the Authority managed for consumers. Pursuant to a court order the Authority is authorized to deduct the costs it has incurred from the gross settlement proceeds prior to distributing the net amount to the damaged parties. Settlement amounts will vary from year to year depending upon the success of the actions taken.

11. GOVERNANCE

Governance consists of the costs associated with the Board of Directors and the industry advisory groups. These groups have been established to identify consumer and industry related issues and potential solutions for consideration by the Authority.

12. TRAVEL ASSURANCE FUND

The Travel Assurance Fund is established pursuant to Section 130(2) of the Business Practices and Consumer Protection Act and is funded by a required initial and semi-annual contributions from registrants. It is created to reimburse eligible consumers who have prepaid travel services with a BC registered travel agency, but did not receive the service. These compensation funds are to be maintained in trust and administered by the Authority and do not form part of the assets of the Authority.

As at December 31, 2005, the balance of the fund is $4,887,805 (2004 - $4,228,344).

Contributions to the fund and interest earned for the year have totaled $767,979 (2004 - $203,156) with payouts totaling $38,591 (2004 - $99,002). The Authority charged the fund $69,927 (2004 - $51,997) for the year to recover the cost of administering the fund. The net increase in the fund for the period was $659,461 (2004 - $52,157).

An officer of the Authority is a trustee of the fund.

13. COMPARATIVE FIGURES

The comparative amounts are for the nine month period ended December 31, 2004.

Advisory Group Members

The following are members of the Industry Advisory Groups that provide feedback to the Board of Directors:

Debt Collection Advisory Group: (September 21, 2004)

- Allan Parker, Program Manager, LawLINE, Legal Services Society
- Michael Hardy, President, Credit Grantors Association of Vancouver
- Mike Bertram, Director, Credit Association of Victoria
- R.D. (Bob) Webber, Vice President, BC Bailiffs Association
- R.W. (Bob) Richards, Senior Vice President and COO of CBV Collection Services Ltd.
- Robert D. Fell, President, Canadian Association of Independent Credit Counselling Agencies
- Scott Hannah, Executive Director, Credit Counselling Society
- Tom R. Aquiline, Deputy Director, Industry Relations, BPCPA

Travel Industry Advisory Group: (October 13, 2004)

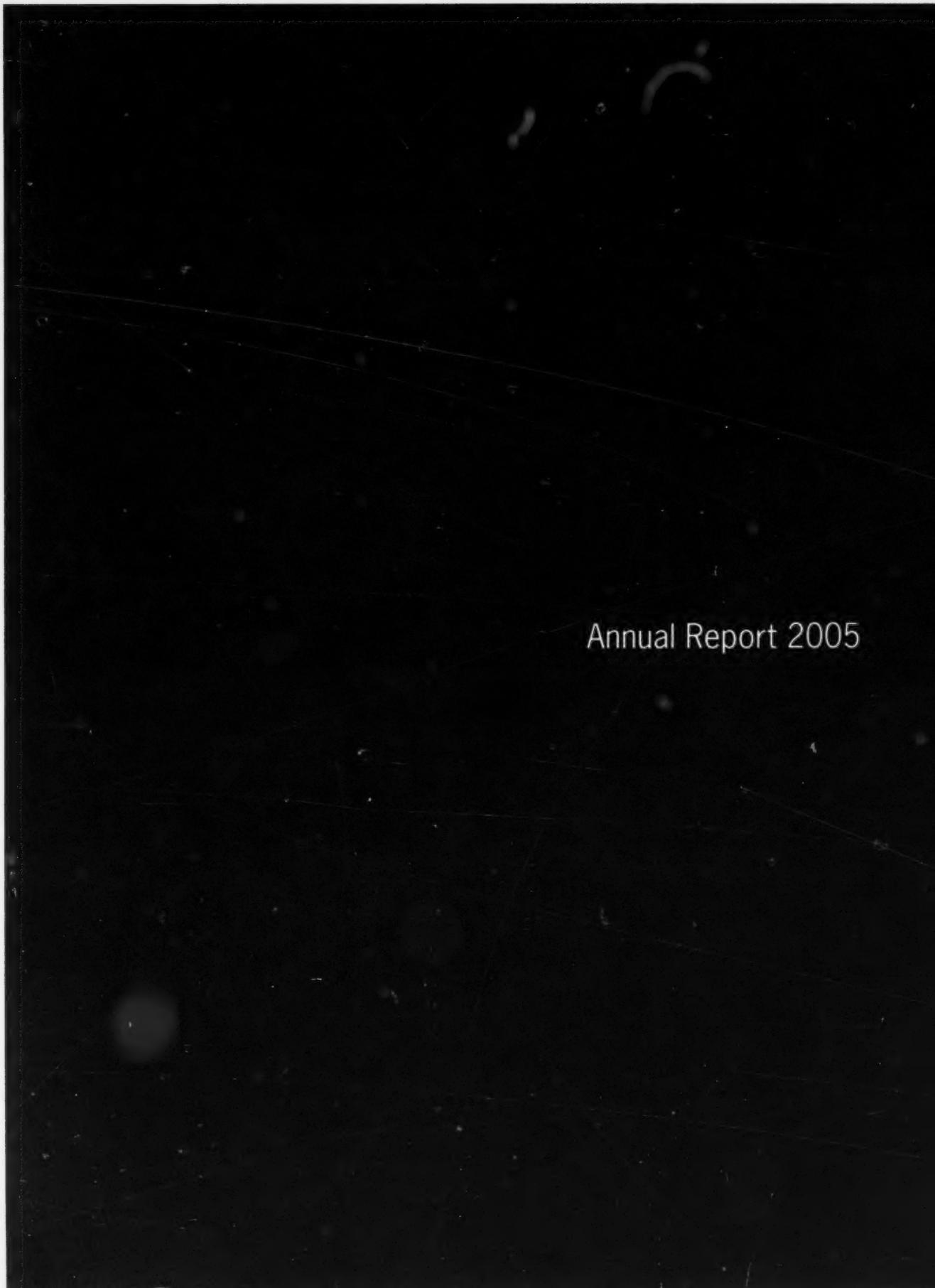
- Andy H. Shimizu, Co-Chair, Canadian Inbound Tourism Association (Asia Pacific) Advocacy Committee
- Claire Newell, President, Jubilee Tours & Travel Ltd.
- David McCaig, Vice President, Association of Canadian Travel Agencies (ACTA)
- Dennis Cote, Vice President. Product Development & Support, BC Automobile Association
- Gord McMorran, Vice President, Wolrige Mahon Limited
- Scott Bonner, Managing Director, Midnight Sun Adventure Travel Inc.
- Tawfiq (Vic) Nakhleh, Vice President & General Manger, Transat Holidays, Western Canada
- Tom R. Aquiline, Deputy Director, Industry Relations, BPCPA

Cremation, Interment and Funeral Services Industry Advisory Group: (November 12, 2004)

- Ellen Leslie, Executive Director, Memorial Society of British Columbia
- Janet E. Ricciuti, Executive Director, Funeral Service Association of BC
- Jason W. Everden, General Manager, Everden Rust Funeral Services & Crematorium, Kelowna
- John M. Chasca, President of BC Independent Family Funeral Home Association of BC, Owner of McPherson's Funeral Services
- Kay Johnson, Director, Griefworks BC
- Lawrence G. Little, Owner, Personal Alternative Funeral Services Limited and Pacific Crematorium Limited
- Stephen C. Olson, Secretary/Treasurer of the Cemetery & Crematorium Association of BC, Secretary Treasurer & Executive Director, Board of Cemetery Trustees of Greater Victoria
- Tom R. Aquiline, Deputy Director, Industry Relations, BPCPA

Telemarketing Advisory Group (May 11, 2005):

- Arno Bangert, Director, Research & Prospect Management, BC Children's Hospital Foundation
- Bruce Bird, Chapter Director, Canadian Association of Retired Persons
- Jean Mitchell, President, BC Contact Centre Association, Manager, BCIT Call Centre of Excellence
- Len Wolstenholme, Director, Regulatory & Public Affairs, XentelDM Incorporated
- Mary Anne Chase, Director of Operations, BC TigerTel/UTR
- Mayo McDonough, Executive Director, BBB of Vancouver Island
- Tom R. Aquiline, Deputy Director, Industry Relations, BPCPA
- Wally Hill, Vice President, Public Affairs & Communications, Canadian Marketing Association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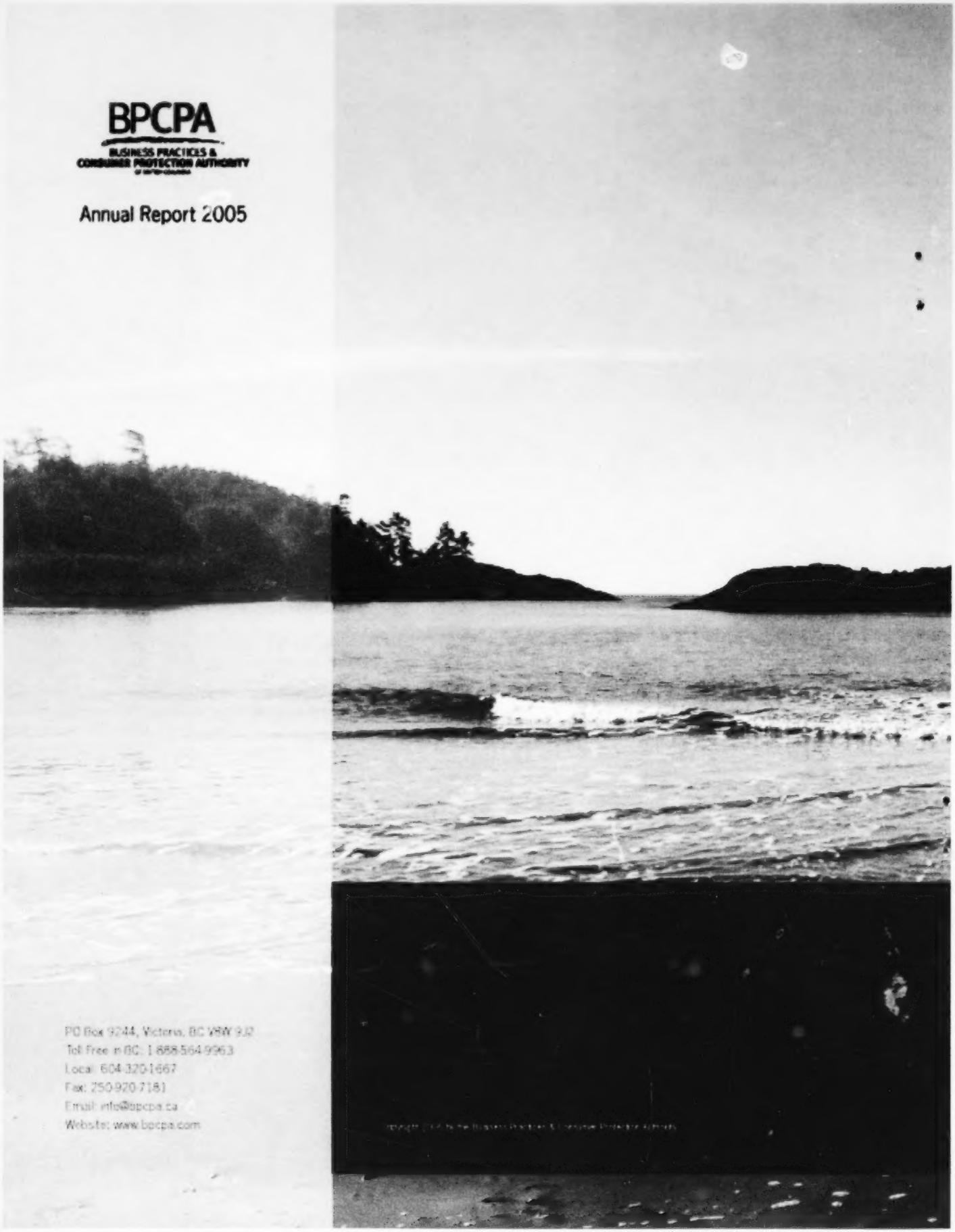

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